

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ISO-00 AGR-05 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

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FM AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: BEXP, CG

SUBJECT: FY76 THIRD QUARTER PROGRESS REPORT

1. OVERVIEW: ALTHOUGH ZAIRE'S FINANCIAL SITUATION DETERIORATED EVEN STILL FURTHER DURING THE THIRD QUARTER, IMPORTANT STEPS WERE TAKEN TO HELP BRIDGE THE ECONOMY OVER THE SHORT-TERM THREATS TO ITS VIABILITY. THE GOZ TOOK FURTHER STEPS IN THE IMPLEMENTATION OF ITS STABILIZATION PROGRAM HIGHLIGHTED BY AN APPROXIMATELY 42 PER CENT DEVALUATION OF THE ZAIRE, A NECESSARY PRE-CONDITION FOR THE SIGNING OF A STANDBY AGREEMENT WITH THE IMF, ZAIRE IS NOW ELIGIBLE TO RECEIVE A TOTAL OF SDR 139 MILLION (\$163 MILLION) FROM THE VARIOUS FACILITIES OF THE IMF. ZAIRE SEEMS ASSURED OF BEING ABLE TO MAINTAIN A MINIMUM LEVEL OF IMPORTS OVER THE NEXT YEAR. FOODSTUFFS AND PHARMACEUTICALS ALONG WITH MATERIALS AND EQUIPMENT FOR THE PRODUCTIVE SECTORS OF THE ECONOMY WILL HAVE PRIORITY. TALKS HAVE BEGUN THAT WILL LIKELY LEAD TO A RESCHEDULING OF A PORTION OF ZAIRE'S MEDIUM AND LONG-TERM DEBTS. THIS WOULD HOPEFULLY GIVE GOZ FINANCIAL OFFICIALS SOME ELBOW ROOM TO RELIEVE SOME OF IT'S SHORT-TERM DEBTS -- AN INCREASINGLY DIFFICULT SORE POINT FOR U.S. SUPPLIERS AND BUSINESSES RESIDENT IN ZAIRE.

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2. MEANWHILE, THE PARTIAL RETROCESSION OF PREVIOUSLY

ZAIRIANIZED FIRMS APPEARS TO BE GOING BETTER THAN MANY THOUGHT PROBABLE AT THE BEGINNING OF THE YEAR. SIZEABLE NUMBERS OF EXPATRIATES HAVE SHOWN UP TO REPOSSESS 40 PER CENT AND UP OF THEIR FORMER FIRMS AND PLANTATIONS. HOWEVER, ACCORDING TO OUR EARLY REPORTS, MOST ARE ADOPTING WAIT AND SEE ATTITUDES, I.E. FEW SEEM INCLINED TOWARD MAKING ANY SIGNIFICANT INVESTMENT TO REHABILITATE OR EXPAND THEIR FACILITIES PENDING FURTHER EVIDENCE ON PART OF GOZ THAT PRIVATE INVESTMENT WILL BE PROTECTED. SINCE THE GOZ HAD OBVIOUSLY HOPED THAT THE RETURN OF EXPATRIATE INVESTORS WOULD PROVIDE A NEEDED STIMULUS TO THE ECONOMY, THEIR RELUCTANCE TO INVEST MAY WELL INDICATE FURTHER DELAYS IN ITS RECOVERY. OBVIOUSLY THIS HAS ITS OWN IMPLICATIONS FOR THE COMMERCIAL PROGRAM AND SHOULD BE WATCHED CLOSELY.

CAMPAIGN REPORT

3. CAMPAIGN A: EMBASSY HAS EXPERIENCED EXTENSIVE DELAYS IN PROCESSING INQUIRIES ABOUT LOCAL FIRMS FROM LOCAL BANKS; HENCE SOME WTDR'S ON THE CONSTRUCTION AND AGRIBUSINESS INDUSTRIES HAVE BEEN UNDULY DELAYED. THIS SITUATION NOW BEING REMEDIED AND BACKLOG SHOULD BE CLEARED UP IN EARLY MAY.

4. CAMPAIGN B: EQUIPMENT FOR TRANSPORT SECTOR:
DUE TO MORE CONSOLIDATION OF RAILWAY INDUSTRY FEWER CALLS WERE NECESSARY. ONE OF THESE RESULTED IN SUBMISSION OF INTERNATIONALLY FINANCED GOVERNMENT TENDER. SEPARATE REPORT ON CALLS BEING SUBMITTED. DUE TO SHIFT IN DUTIES OF RESPONSIBLE OFFICER, REPORT ON ORGANIZATION PLANS OF TRANSPORT COMPANIES NOT COMPLETED. THIS WILL BE RETARGETED FOR FOURTH QUARTER.

5. CAMPAIGN C: EQUIPMENT FOR MINERALS AND POWER SECTORS:
DUE TO FOREIGN EXCHANGE SITUATION, ONLY URGENT TRIPS ABROAD ARE BEING PERMITTED. THUS, NO RESPONSE TO INVITATIONS TO VISIT U.S. TRADE SHOWS. CALLS ON THE TWO INDUSTRIES BY EMBASSY AND CONGEN LUBUMBASHI GREATLY EXCEEDED TARGETS.

6. CAMPAIGN D: TARGETING NEW ZAIRIAN BUSINESS LEADERS: COMMATT HAS NOMINATED TWO ZAIRIAN OWNER-MANAGERS OF MAJOR FIRMS RATHER THAN "DELEGATES GENERAL", WHO, UNDER THE "DE-ZAIRIANIZATION" PROGRAM, ARE LOSING THEIR IMPORTANCE. THIRD NOMINATION TARGETED FOR FOURTH QUARTER. IF SELECTED BY EMB COMMITTEE, THEY SHOULD BE LIMITED OFFICIAL USE

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TRAVELING IN SEPT-OCT PERIOD.

7. REVISION OF LIST OF U.S. FIRMS AND REPRESENTATIVES IN KINSHASA AREA BEING EXTENDED TO FOURTH QUARTER.

8. CAMPAIGN E: AGRIBUSINESS SECTOR:
EMB COMBINED OBJECTIVES OF D WITH E TO GREATLY INCREASE CALLS ON AGRIBUSINESS SECTOR. THUS, THERE WERE 27 CALLS ON AGRI-

BUSINESS FIRMS AND SOME 14 CALLS ON GOVT ORGANIZATIONS WITH
AGRO-INDUSTRY RESPONSIBILITIES.
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